

**COMMONWEALTH OF KENTUCKY
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
KENTUCKY HORSE RACING AUTHORITY**

AGREEMENT REGARDING ADMINISTRATIVE PENALTY

It is the intent and purpose of Churchill Downs Incorporated, its subsidiaries and affiliates (collectively, "Churchill Downs") and the Kentucky Horse Racing Authority ("Authority") to express their agreement on a mutually satisfactory resolution of the issues relating to the procedures followed by Churchill Downs for the hiring of an assistant starter (the "Assistant Starter") for the running of the Kentucky Derby on Saturday, May 3, 2008.

It is understood by the parties that this "Agreement Regarding Administrative Penalty" (the "Agreement") is not an admission by either party to the Agreement of the strength or weakness of the Authority's position or that of Churchill Downs in this matter, nor does it represent an admission of wrongdoing, guilt, negligence, or liability of any kind by Churchill Downs. This Agreement is entered into in the belief that it serves the best interests of thoroughbred horse racing in Kentucky. Both parties agree that this Agreement, viewed in its entirety, constitutes a reasonable resolution of all issues involved in this matter.

Based upon discussions between officials of Churchill Downs and the Authority, and upon the belief that investigation of the facts surrounding the incident concerning the

Assistant Starter adequately supports this Agreement, the parties hereby agree to and stipulate the following:

1. The matter concerning the interpretation and application of several Kentucky Horse Racing Authority regulations in connection with the procedures followed by Churchill Downs for the hiring of an Assistant Starter during the running of the 2008 Kentucky Derby shall be deemed concluded, insofar as it concerns Churchill Downs and any of its employees (other than Clinton Beck) who are individually licensed by the Authority upon the approval of this Agreement by the Authority. Churchill Downs agrees that the Authority Staff and its counsel may present this Agreement to the Authority for approval and discuss with the Authority factual and legal issues underlying this Agreement. Churchill Downs further agrees that it will not assert that such discussions will be grounds for the disqualification of any Authority member from considering the merits of this proceeding should the Authority fail for any reason to approve this Agreement.

2. Churchill Downs agrees, pursuant to 810 KAR 1:018 Section 10(2), to pay to the Authority an administrative fine in the amount of \$15,000 in lieu of any other action that the Authority may be empowered to take against Churchill Downs or any of its employees (other than Clinton Beck) who are individually licensed by the Authority. Churchill Downs further agrees that such payment shall be made to the Authority no later than July 2, 2008.

3. The Authority shall not make further claims against Churchill Downs or any of its employees (other than Clinton Beck) who are individually licensed by the Authority arising from the use of the Assistant Starter during the Kentucky Derby. The

Authority reserves the right to proceed against other parties involved in this matter who are not employees of Churchill Downs (except Clinton Beck) who are individually licensed by the Authority and this Agreement shall not limit that right.

4. This Agreement is entered into and approved for purposes of the matters stated herein only.

5. Each of the parties agrees that such party shall not file either administrative or judicial appeal with respect to the approval of this Agreement.

6. The parties agree that this Agreement is a fair, just and reasonable resolution of the issues in this appeal and is in the best interests of all concerned.

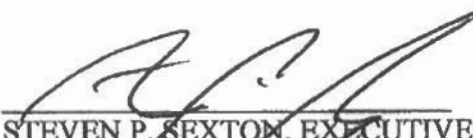
7. The parties agree that this Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns.

8. The parties agree that this Agreement constitutes the complete understanding among the parties and any and all oral statements, representations or agreements regarding the settlement of this proceeding made prior to the execution of this Agreement shall be null and void and shall be deemed to have been merged into this Agreement.


9. The parties agree that this Agreement may be executed in multiple counterparts.

Dated this 16th day of June 2008.

HAVE SEEN AND AGREED:


STEVEN P. SEXTON, EXECUTIVE
VICE PRESIDENT, CHURCHILL
DOWNS INCORPORATED

HAVE SEEN AND AGREED:


ROBERT M. BECK, CHAIR
KENTUCKY HORSE RACING
AUTHORITY